

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 700 – HB 745

March 27, 2015

SUMMARY OF ORIGINAL BILL: Creates a lifetime handgun carry permit for any resident of Tennessee who is a United States citizen or lawful permanent resident, who is at least 21 years of age and meets current regulations for obtaining a handgun carry permit (HGCP). The Department of Safety (DOS) will charge an application and processing fee of \$500 for a lifetime handgun carry permit. A lifetime handgun carry permit will not be subject to renewal.

CORRECTED FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue – \$1,555,600/FY15-16 to FY19-20/DOS

\$842,700/FY20-21 to FY24-25/DOS

\$707,000/FY25-26 to FY29-30/DOS

and continuing to drop proportionally every 5 years though FY 49-50 (35 years out), then stabilizing at \$95,000 in perpetuity

\$70,800/FY15-16 to FY19-20/TBI

and then no difference in revenue after the first 5 year renewal cycle

Increase State Expenditures – \$100,000/FY15-16 Non-recurring/DOS

\$27,800/ FY15-16 to FY19-20/TBI

and then no difference in expenditures after the first 5 year renewal cycle

Increase Local Revenue – \$20,000/FY15-16 to FY19-20

and then no difference in revenue after the first 5 year renewal cycle

Other Fiscal Impact – By purchasing a \$500 lifetime permit, instead of paying the current fees for new and renewal permits every five (5) years, those individuals will be both shifting their permit payments forward and paying slightly more than the \$465 they would have paid under the existing permit fee regime over forty (40) years (i.e. initial permit plus seven renewals). Calculating the present value of the estimated net additional cashflow generated by the individuals choosing a \$500 lifetime permit yields a net present value benefit of \$14,500,000.

SUMMARY OF AMENDMENT (004814): Adds language that mandates all lifetime handgun carry permit holders must undergo the same criminal history check record check as required every five years for handgun permit renewals. If permit holder is found ineligible to hold a handgun permit, DOS shall revoke the permit. The permit holder must mail the permit to DOS within 30 days of revocation. If the permit holder fails to mail the permit to DOS, the department shall suspend the holder's driver license.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Unchanged from the corrected fiscal note.

Assumptions for the bill as amended:

- An applicant for a HGCP is required to be a minimum of 21 years of age.
- Currently, the initial HGCP application fee is \$115, and is valid for 5 years. The current HGCP renewal is \$50, and is valid for 5 years.
- This analysis assumes that these current permit fees remain constant in perpetuity.
- Under current law, a person that obtains a HGCP will pay the initial \$115 and \$50 for each subsequent renewal every five years thereafter. If the HGCP were held continuously by this individual for a 40-year period, the individual would pay a total sum of \$465 [$\$115 + (\$50 \times 7 \text{ renewals})$] over the 40-year period.
- Establishing a lifetime permit option and setting the price (\$500), only slightly above the current 40 year cost for new and renewal permit issuance (\$465), may trigger some portion of current and future gun owners to choose this option despite the higher cost.
- There are several reasons, both emotional and rational, why some individuals would purchase a lifetime handgun carry permit, if offered. The primary rationale reason is protection against future increases in the renew permit fee (though we have assumed it will remain constant in this analysis).
- In doing so, those gun owners will cause shift in gun permit revenue collections forward. The net result will be an acceleration of revenue, to the General Fund, previously collected over the lifetime of gun permit recipients.
- Currently, there are approximately 54,300 transactions per year for an initial HGCP and approximately 66,400 permit renewals each year.
- DOS believes it is reasonable to assume that, at least, five percent (or 2,715 individuals), who would otherwise purchase the initial HGCP, will purchase the proposed \$500 lifetime HGCP; and two percent (or 1,328 individuals), who would otherwise renew their current HGCP, will purchase the proposed \$500 lifetime HGCP.
- Under current law, permit fee revenue is split as follows. For \$115 new HGCPs: 1) \$15 to the local Sheriff's Office; 2) \$53 to the Tennessee Bureau of Investigation (TBI); and the balance to the Department of Safety (DOS). For \$50 renewal HGCPs: 100% to DOS.
- A portion of TBI's \$53 share of new HGCP revenue is to defray their variable costs related to collecting finger-prints and running background checks on each new HGCP applicant. Those variable costs currently total \$20.79 for each new HGCP applicant

(\$12.45 paid to the FBI for background check information plus \$8.34 paid to fingerprinting services).

- Though not explicitly stated in the proposed bill, this analysis assumes that all lifetime permit applicants will be subject to the same screening requirements as new HGCP applicants are under current law. Thus, this will trigger a small increase in costs for TBI, associated with the individuals that are currently in the renewal cycle, but choose to switch to a lifetime permit.
- Using these assumptions, a projection of the net additional revenue generated by a \$500 lifetime permit can be estimated by comparing projected revenue under current law versus projected revenue with a \$500 lifetime permit option was calculated. All supporting data for this calculation is available from the Joint Fiscal Review Committee office upon request.
- DOS will require system modifications to effectuate the purposes of this bill. Based on information provided by DOS, the one-time increase in state expenditures from the General Fund is estimated to be \$100,000 occurring in FY15-16.
- Revocation of a driver's license upon failure to mail a revoked handgun permit to DOS is current practice, and is not expected to impact the department fiscally.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Jeffrey L. Spalding, Executive Director

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